

EXHIBIT 1108

Black market for nuclear material endures

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(Photo: AP Photo/Georgia Interior Ministry)

BATUMI, Georgia (AP) — On the gritty side of this casino resort town near the Turkish border, three men in a hotel suite gathered in secret to talk about a deal for radioactive material.

The Georgian seller offered cesium, a byproduct of nuclear reactors that terrorists can use to arm a dirty bomb with the power to kill. But one of the Turkish men, wearing a suit and casually smoking a cigarette, made clear he was after something even more dangerous: uranium, the material for a nuclear bomb.

The would-be buyers agreed to take a photo of the four cylinders and see if their boss in Turkey was interested. They did not know police were watching through a hidden camera. As they got up to leave, the police rushed in and arrested the men, according to Georgian officials, who were present.

The encounter, which took place in April, reflected a fear shared by U.S. and Georgian officials: Despite years of effort and hundreds of millions of dollars spent in the fight against the illicit sale of nuclear contraband, the black market remains active in the countries around the former Soviet Union. The radioactive materials, mostly left over from the Cold War, include nuclear bomb-grade uranium and plutonium, and dirty-bomb isotopes like cesium and iridium.

The extent of the black market is unknown, but a steady stream of attempted sales of radioactive materials in recent years suggests smugglers have sometimes crossed borders undetected. Since the formation of a special nuclear police unit in 2005 with U.S. help and funding, 15 investigations have been launched in Georgia and dozens of people arrested.

Six of the investigations were disclosed publicly for the first time to The Associated Press by Georgian authorities. Officials with the U.S. government and the International Atomic Energy Agency declined to comment on the individual investigations, but President Barack Obama noted in a speech earlier this year that countries like Georgia and Moldova have seized highly enriched uranium from smugglers. An IAEA official, who spoke anonymously because he was not authorized to comment, said the agency is concerned smuggling is still occurring in Georgia.

Four of the previously undisclosed cases, and a fifth — an arrest in neighboring Turkey announced by officials there — occurred this year. One from last year involved enough cesium-137 to make a deadly dirty bomb, officials said.

Also, Georgian officials see links between two older cases involving highly enriched uranium, which in sufficient quantity can be used to make a nuclear bomb. The AP's interviews with the two imprisoned smugglers in one case suggested that the porous borders and the poverty of the region contributed to the problem.

The arrests in the casino resort of Batumi stand out for two reasons: They suggest there are real buyers — many of the other investigations involved stings with undercover police acting as buyers. And they suggest that buyers are interested in material that can be used to make a nuclear weapon.

"Real buyers are rare in nuclear smuggling cases, and raise real risks," said nuclear nonproliferation specialist Matthew Bunn, who runs Harvard's Project on Managing the Atom. "They suggest someone is actively seeking to buy material for a clandestine bomb."

The request for uranium raises a particularly troubling question.

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"There's no plausible reason for looking for black-market uranium other than for nuclear weapons—or profit, by selling to people who are looking to make nuclear weapons," said Bunn.

Georgia's proximity to the large stockpiles of Cold War-era nuclear material, its position along trade routes to Asia and Europe, the roughly 225 miles (360 kilometers) of unsecured borders of its two breakaway republics, South Ossetia and Abkhazia, and the poverty of the region may explain why the nation of 4.5 million has become a transit point for nuclear material. Georgian officials say the radioactive material in the five new cases this year all transited through Abkhazia, which borders on Russia and has Russian troops stationed on its territory.

Abkhazia's foreign ministry said it has no information about the Georgian allegations and would not comment, but in the past it has denied Georgian allegations.

Russia maintains that it has secured its radioactive material—including bomb-grade uranium and plutonium—and that Georgia has exaggerated the risk because of political tension with Moscow. But while the vast majority of the former Soviet Union's nuclear arsenal and radioactive material has been secured, U.S. officials say that some material in the region remains loose.

"Without a doubt, we are aware and have been over the last several years that not all nuclear material is accounted for," says Simon Limage, deputy assistant secretary for non-proliferation programs at the U.S. State Department. "It is true that a portion that we are concerned about continues to be outside of regulatory control."

U.S. efforts to prevent smuggling have prioritized bomb-grade material because of the potential that a nuclear bomb could flatten a U.S. city. But security officials say an attack with a dirty bomb—explosives packed with radioactive material—would be easier for a terrorist to pull off. And terrorist groups, including al-Qaida, have sought the material to do so. A study by the National Defense University found that the economic impact from a dirty bomb attack of a sufficient scale on a city center could exceed that of the September 11, 2001, attacks on New York and Washington.

The U.S. government has been assisting about a dozen countries believed to be vulnerable to nuclear smuggling, including Georgia, to set up teams that combine intelligence with police undercover work. Limage says Georgia's team is a model for the other countries the U.S. is supporting.

On Jan. 6, police arrested a man in Georgia's capital, Tbilisi, and seized 36 vials with cesium-135, a radioactive isotope that is hard to use for a weapon. The man said he had obtained the material in Abkhazia. In April, Georgian authorities arrested a group of smugglers from Abkhazia bringing in three glass containers with about 2.2 pounds (1 kilogram) of yellowcake uranium, a lightly processed substance that can be enriched into bomb-grade material.

"At first we thought that this was coincidence," said Archil Pavlenishvili, chief investigator of Georgia's anti-smuggling team. "But since all of these cases were connected with Abkhazia, it suggests that the stuff was stolen recently from one particular place. But we have no idea where."

Days later, more evidence turned up when Turkish media reported the arrest of three Turkish men with a radioactive substance in the capital, Ankara. Police seized 2.2 pounds (1 kilogram) of cesium-135, the same material seized in January in Tbilisi.

Georgian officials said the suspects were residents of Germany and driving a car with German plates, but that the material had come from Abkhazia. Turkish authorities said the men had entered Turkey from Georgia. Information provided by German authorities led to the arrest in June of five suspects in Georgia with 9 vials of cesium-135 that looked very similar to the vials seized in January.

The Batumi investigation started after the arrest of two men in the city of Kutaisi in February 2011 year with a small quantity of two radioactive materials stolen from an abandoned Soviet helicopter factory, according to Georgian officials. The men said that a businessman, Soslan Oniani, had encouraged them to sell the material.

Police interviewed Oniani and searched his house, but found insufficient evidence to arrest him, according to officials. Still, they kept monitoring him through phone taps and an informant. Georgian officials say Oniani was a braggart, who played on his relationship with his cousin, Tariel Oniani, a well-known organized crime boss convicted in Russia of kidnapping.

Early this year, Soslan Oniani started talking about a new deal. Through surveillance and phone taps, police learned of the meeting in Batumi and monitored it. While no money passed hands, the men discussed an illegal deal, which is sufficient for prosecution in Georgia.

Tests by Georgian authorities later revealed that one lead cylinder held cesium-137, two strontium-90, and the fourth spent material that was hard to identify. All are useful for making a dirty bomb, although the material in the cylinders alone was not enough to cause mass casualties, according to data provided by Georgian nuclear regulatory authorities.

The arrested Turks denied knowing they were negotiating for radioactive substances. They claimed to be musical instrument experts, who had come to Batumi seeking to buy violins.

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A skeptical interrogator asked them if they were familiar with the famed instrument maker Stradivarius.

One man said he had never heard of him.

The two Turks and the seller, Oniani, were convicted in September in a Georgian court, according to officials, and sentenced to six years in prison each.

The Georgian smuggling cases suggest that the trade in radioactive materials is driven at least in part by poverty and the lingering legacy of Soviet corruption in a hardscrabble region. Georgian officials say that because of U.S. backed counter-smuggling efforts, organized crime groups seem to have concluded that the potential profit from trade in these materials doesn't justify the risk. But individuals sometimes conclude they can make a quick buck from radioactive material.

For instance, in one newly disclosed case last year, authorities arrested two Georgian men with firearms, TNT and a lethal quantity of cesium-137. One was a former Soviet officer in an army logistics unit, who told police that at the end of his service in the early 90s, he had made a second career stealing from the military.

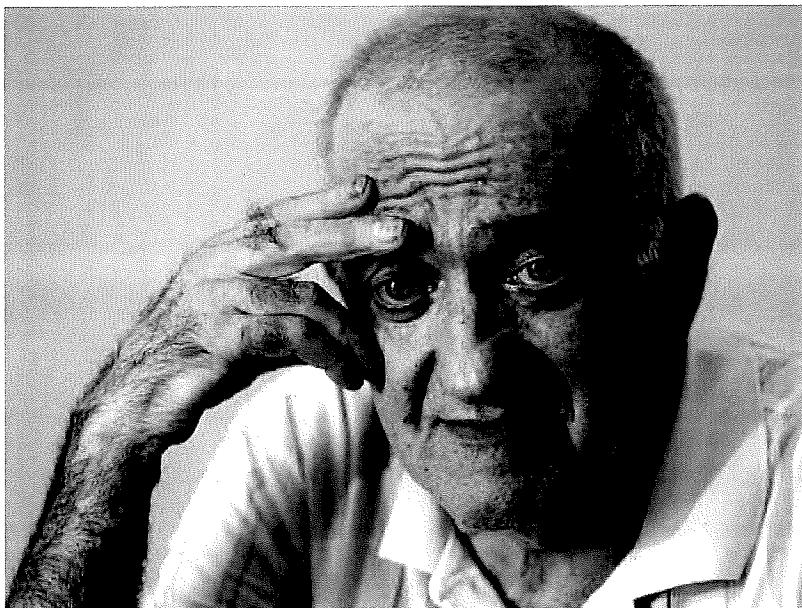
"He openly said: 'I was a logistics officer and my second duty was to steal everything possible,'" according to Pavlenishvili.

The man kept the cesium for years before he and a relative tried to sell it last year to a Georgian undercover officer. He did not try to sell the weapons or explosives.

Poverty and corruption also appear to have played into three smuggling incidents in 2003, 2006 and 2010 that involved bomb-grade highly enriched uranium.

In 2003, an Armenian man, Garik Dadaian, was arrested when he set off a radiation detector provided by an American program at a checkpoint on the Armenian-Georgian border. Days later, the man was released and returned to Armenia under murky circumstances.

Dadaian's name resurfaced in 2010 on a bank transfer slip in the pocket of the two smugglers arrested with highly enriched uranium. The men had obtained the material from Dadaian and were offering it as a sample of a larger quantity. Police say forensic analysis suggests the uranium may have come from the same batch seized in 2003.



Hrant Ohanian, the former physicist at a nuclear research facility in Yerevan, Armenia, at a prison in Rustavi, Georgia in June, 2012. He was one of two smugglers arrested with highly enriched uranium in 2010. (Photo: Shah Aivazov, AP)

Russian investigators suspected Dadaian got the nuclear fuel from a manufacturing plant in Novosibirsk, Russia, where several disappearances of material have been documented. Pavlenishvili said Dadaian bribed prosecutors to win his release and take some of the uranium.

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The two smugglers in the 2010 case were Sumbat Tonoyan, a dairy farmer who went bankrupt, and Hrant Ohanian, a former physicist at a nuclear research facility in the Armenian capital of Yerevan. The AP interviewed both at a prison about 25 miles (40 kilometers) outside Tbilisi, where they are serving sentences of 13 and 14 years.

In separate interviews, each man blamed the other for the idea of smuggling uranium, and talked of financial hardship. Ohanian said his daughter needed urgent medical care that he couldn't afford, and Tonoyan said a bank had seized his house after his dairy factory collapsed.

"I didn't have a job and I couldn't pay the bank," he said in Russian through an interpreter.

The men also claimed they believed the material they were selling was to be used for scientific work, not nefarious purposes. Ohanian said a Georgian contact, who was also arrested, told him relations with Moscow were so bad that Georgian scientists could not get the uranium they needed from Russia on the open market.

"I feel guilty because I behaved like an idiot," he said. "I should have known and I would never do something like this again."

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